

Press Briefing on **1994 Income and Poverty Estimates**

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Welcome to the press briefing on the 1994 income and poverty estimates. Your press packets contain a press release, a copy of my remarks, and a copy of the charts I will be using today, along with some supplementary tables. The report is not yet available in print but excerpts are provided. Additional unpublished detailed tables can be obtained from the Census Bureau.

Let me introduce some of the analysts who worked on the reports; they will be available to answer your questions after the briefing: Charles Nelson, Assistant Division Chief; Kathleen Short, Chief of the Poverty and Health Statistics Branch; and Edward Welniak, Chief of the Income Statistics Branch. The primary authors of the reports are Eleanor Baugher, Robert Bennefield, Robert Cleveland, Carmen DeNavas-Walt, and Leatha Lamison-White. I also want to particularly recognize other Bureau staff who contribute so much to carrying this work forward (particularly the Census Bureau field representatives who collect the data).

Please hold your questions unless it's a technical clarification. The main presentation should take about 30 minutes.

Let me first summarize the main findings. **GRAPHIC 1** Overall, there was no change in median household income from 1993 to 1994, which remained at \$32,264. There was a significant decrease in the number of poor and in the poverty rate. The number of poor decreased 1.2 million between 1993 and 1994 to 38.1 million persons and the poverty rate decreased from 15.1 to 14.5 percent.

Data from the Current Population Survey or CPS are the basis for these statistics. The CPS is a sample survey, conducted each month, of approximately 60,000 households nationwide. Its primary purpose is to allow the Bureau of Labor Statistics to derive the Nation's monthly employment and unemployment statistics. In March of each year, the employment questions are supplemented with a set of questions about the household's economic conditions in the previous calendar year. Thus the data from the CPS reflect conditions in 1994, not current conditions. Nor do they reflect the economic situation of the institutionalized or the majority of military living on bases.

As in all surveys, the data in these reports are estimates, subject to sampling variability and response errors. Different samples can give different estimates; statisticians can determine the range in which estimates are likely to fall so that an apparent change can be tested statistically to see if indeed it is a significant change. All statements made in the report and in this briefing

have been tested statistically. All historical income data have been corrected for inflation, as measured by the Consumer Price Index; inflation was 2.6 percent between 1993 and 1994. The poverty thresholds are updated each year for inflation as well; for a family of four in 1994 the threshold was \$15,141.

There was one change in survey methodology that suggests some caution when comparing this year's income and poverty estimates to last year's. In April 1994, the Census Bureau began introducing a new 1990 census-based sample, drawn from different locations than the previous 1980 census-based sample. This change may have affected the estimates in unknown ways, as all samples are subject to chance variability.

I will be covering the following topics in this briefing: **GRAPHIC 2**

1. Household income
2. Poverty
3. Income Inequality
4. State Estimates of Income and Poverty
5. Experimental Measures of Income *and*
6. Health Insurance Coverage

This chart **GRAPHIC 3** presents the key estimates of median household income. As I noted earlier, there was no change in real median household income between 1993 and 1994.

GRAPHIC 4 There has been a 6.3 percent decline between the most recent business cycle peak in 1989, when median household income was \$34,445, and the 1994 level of \$32,264, a decline of nearly \$2,200. Overall, median household income has risen 10.6 percent since 1967, the first year household median income was computed.

The South **GRAPHIC 3** was the only region where households experienced an increase in income between 1993 and 1994 — 2.9 percent. Even with this increase, however, median income in the South was lower than in the other three regions.

The poverty rate **GRAPHIC 5** for all persons declined from 15.1 percent in 1993 to 14.5 percent in 1994, and the number of poor declined as well, by 1.2 million, to 38.1 million. However, the number of poor is still 5.6 million above the 1989 level when 32.4 million persons were poor and the poverty rate was 13.1 percent. This is **GRAPHIC 6** the first time that both the number of poor and the poverty rate have declined from one year to the next since 1984.

As with income, the South was the only region with a statistically significant decline in its poverty rate **GRAPHIC 5**. The South's poverty rate of 16.1 percent is now not significantly higher from the rate in the West region (15.3 percent). This is the first time since poverty statistics have been computed that the South is not alone with the highest regional poverty rate.

The key distinction affecting the income and poverty figures appears to be for families versus non-families. This next chart **GRAPHIC 7** illustrates those differences. Family households experienced an increase of 2.5 percent in real median income between 1993 and 1994 while nonfamily households (that is, those consisting of one or more unrelated individuals sharing

living quarters) experienced a decline of 2.1 percent. Approximately three out of every ten households are nonfamily (and roughly eight of ten nonfamily households consist of single persons).

Similar differences show up for poverty. There was a significant decline in the poverty rate for persons in families (from 13.6 to 13.1 percent) with no significant change for unrelated individuals (a 1994 poverty rate of 21.5 percent).

Among family households, married–couple households experienced a 1.8 percent increase in median income and the median income of households maintained by women with no husband present increased by 4.5 percent.¹ The decline in the poverty rate for families (from 12.3 percent in 1993 to 11.6 percent in 1994) appears to be a result of significant declines for black families, particularly black married–couple families.

This next chart presents **GRAPHIC 8** the changes in income by race and ethnicity. There was a significant increase in income only for Black households. This is the first year–to–year increase in Black median household income since 1988–1989. As this chart for poverty shows, **GRAPHIC 9** there was a significant decline in poverty rates for both Blacks and Whites. Despite these improvements for Blacks, Blacks and Hispanics still have much higher poverty rates and lower incomes than Whites and Asian and Pacific Islanders. Nevertheless, two–thirds of all poor are White.

Children are 40 percent of the poor **GRAPHIC 10** though they are but 27 percent of the total population. Their poverty rate is higher than for any other age group, now 21.8 percent, but this is a significant decline from last year. Poverty for children has been at or above 20 percent since the early 1980's. Every age group under 55 experienced a significant decline in their poverty rate between 1993 and 1994. There was no change for those 55 and older.

The long–term trend in the U.S. has been toward increasing income inequality. This chart **GRAPHIC 11** illustrates the increasing share of household income received by the highest income quintile — 49.1 percent in 1994 but only 43.0 percent in 1969 — and the declining share of those in the bottom quintile — 4.1 percent in 1969 down to 3.6 percent in 1994. These changes together mean that the middle 60 percent of the income distribution has received a declining share — from 52.9 percent of income in 1969 down to 47.3 percent in 1994.

A second measure of income inequality is the Gini index (also known as the index of income concentration). Mathematically, the Gini can range from 0 indicating perfect equality to 1 indicating perfect inequality. This index also gives an indication of rising inequality over the past 25 years. **GRAPHIC 12** Household income inequality rose slowly in the 1970's and rapidly during the early 1980's. From about 1987 through 1992, though, the growth seemed to taper off, with a jump in 1993. There was no significant increase in income inequality between 1993 and 1994 as measured by the Gini. The Gini index is now 14.3 percent above its 1967 level.

Based on a comparison **GRAPHIC 13** of two–year moving averages, real median household income increased significantly between 1992 and 1994 for Colorado, Iowa, Mississippi, and

¹The difference between the increases for these two types of families was not statistically significant.

Tennessee and declined for California, Kansas, and New Hampshire. Illinois, Maine, and South Carolina showed a decrease in their poverty rate between 1992 and 1994 while no State showed an increase.

The Census Bureau also produces a series of experimental estimates of income, in an attempt to gauge the effect of noncash benefits and of taxes on income levels and on poverty. Neither noncash benefits nor taxes are considered in the official measures. Seventeen experimental definitions of income in addition to the official definition are computed, and tables based on those results are presented in your packages.

The Bureau's research in this area has shown that the distribution of income is more equal under a broadened definition of income that takes account of the effects of taxes and noncash benefits. Government benefits play a much more equalizing role on income than do taxes.

Valuing noncash benefits and subtracting taxes also has an effect on the estimated poverty rate. **GRAPHIC 14** As I have indicated, the 1994 poverty rate based on the official money income definition was 14.5 percent. Based on the same poverty thresholds, but under a broadened definition of income that includes the effects of noncash benefits and taxes, the estimated rate was 11.5 percent or 30.1 million persons (versus 38.1 million under the official definition). Regardless of the method chosen to measure income, the pattern of poverty change over time is similar.

The remaining topic I will cover today is health insurance coverage. These estimates are presented in a forthcoming report. We are presenting only the statistics for 1994 because we improved the questionnaire to better capture private health insurance coverage, making comparisons with last year unwise.

The number of persons without health insurance coverage in 1994 was 39.7 million, or 15.2 percent of the population. **GRAPHIC 15** The proportion of the poor that reported no health insurance coverage was 29.1 percent, nearly double the rate for all persons. Young adults, those with low educational attainment, and Hispanics were the demographic groups most likely to lack coverage. Perhaps surprisingly, part-time workers had lower coverage rates than nonworkers. This is because nonworkers are more likely to be covered by government health programs such as Medicaid and Medicare than workers. Full-time workers have a relatively high coverage rate because they are more likely to have health insurance coverage through their employers.

Let me again summarize the main findings. Overall, there was no change in median household income, which remained at \$32,264, but there was a significant decrease in the number of poor and in the poverty rate. The number of poor decreased 1.2 million between 1993 and 1994 to 38.1 million persons and the poverty rate decreased from 15.1 to 14.5 percent.

I'll be glad to answer your questions. Please identify yourself and your affiliation.

Highlights

No change in median household income from 1993

- \$32,264 in 1994

Significant decline in number of poor and poverty rate

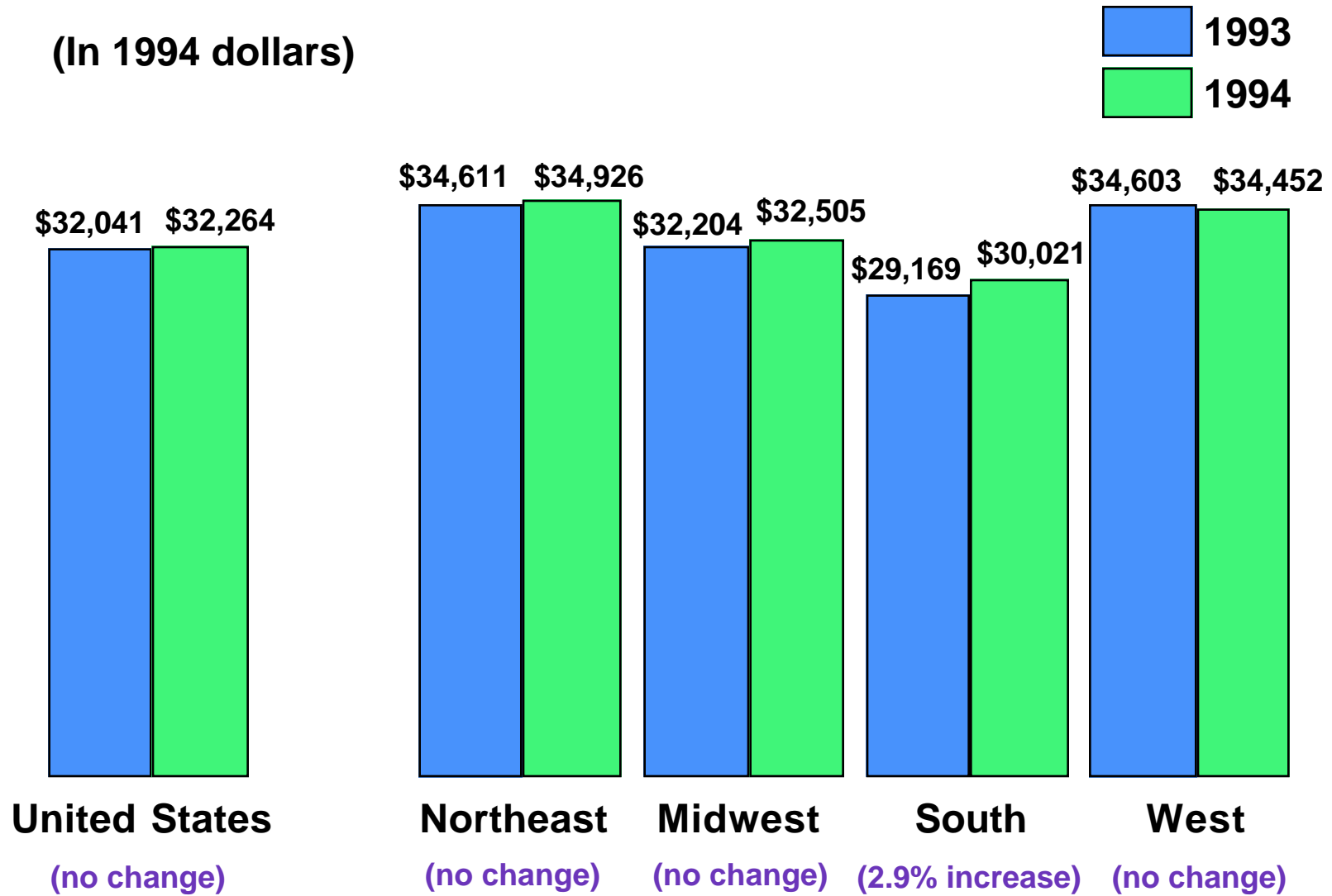
- 38.1 million poor, decline of 1.2 million from 1993
- 14.5 percent poverty rate, decline from 15.1 percent in 1993

Topics Covered

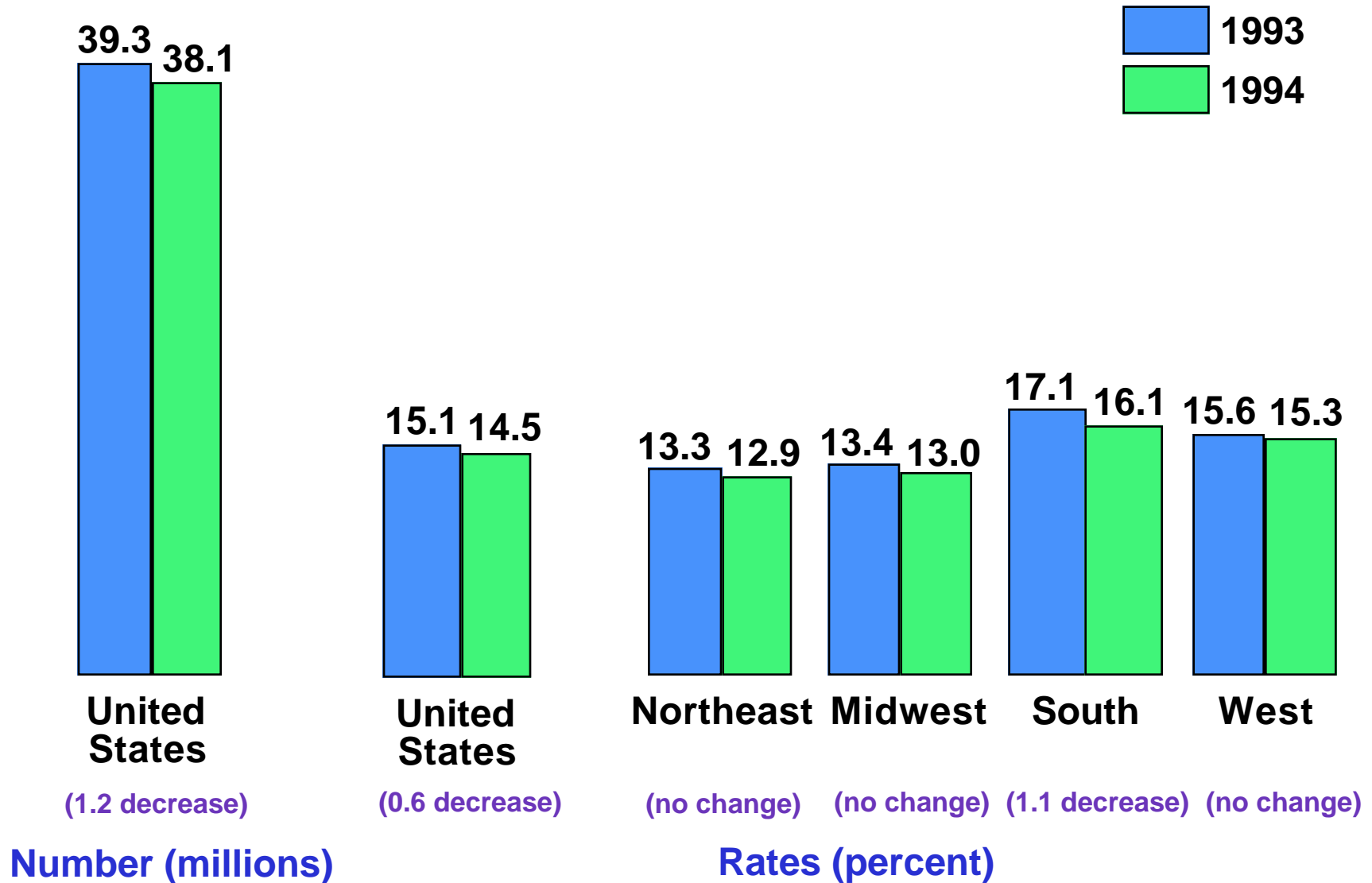
- **Household Income**
- **Poverty**
- **Income Inequality**
- **State Estimates of Income and Poverty**
- **Experimental Measures of Income**
- **Health Insurance Coverage**

Median Household Income by Region: 1993 and 1994

(In 1994 dollars)

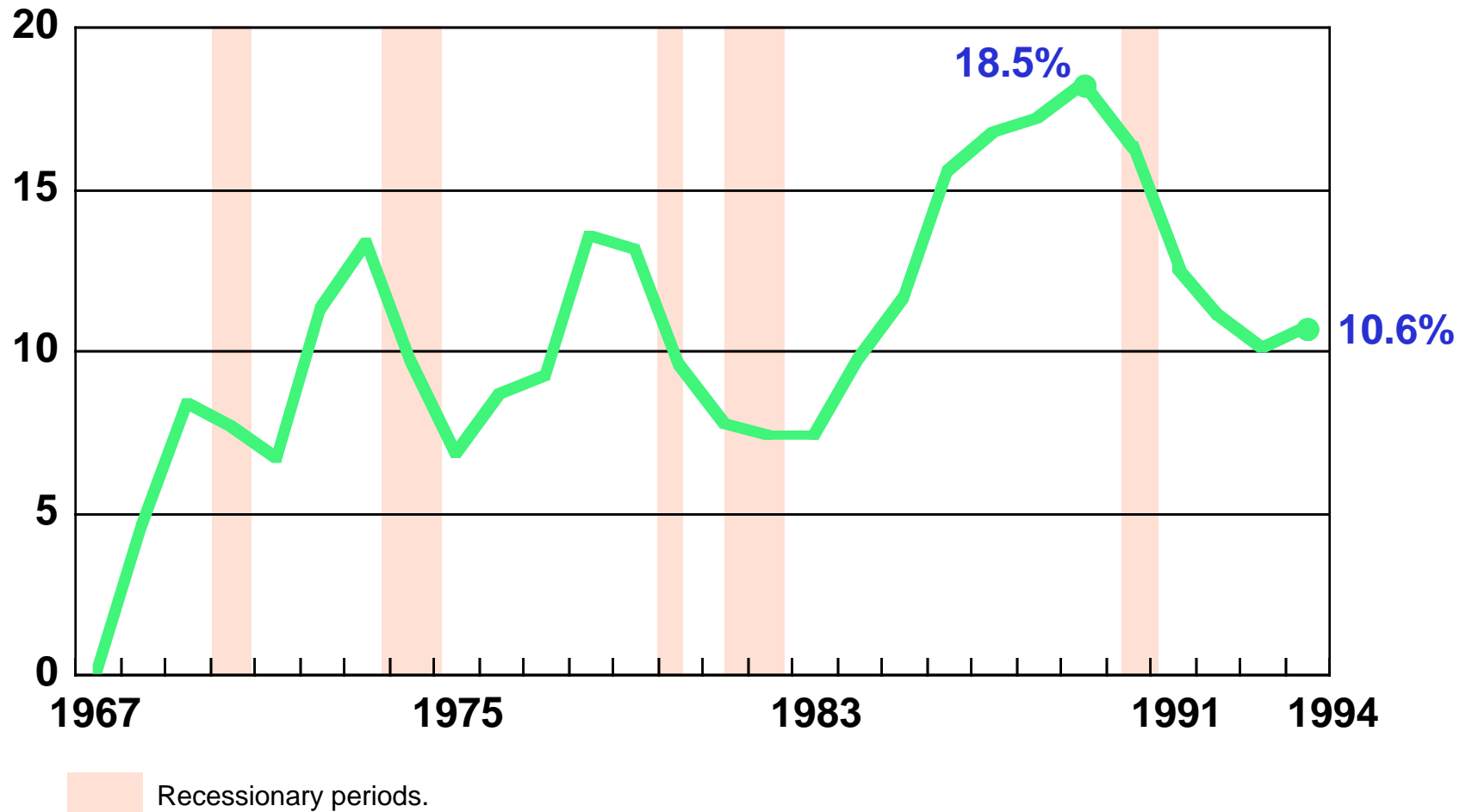


Persons in Poverty by Region: 1993 and 1994



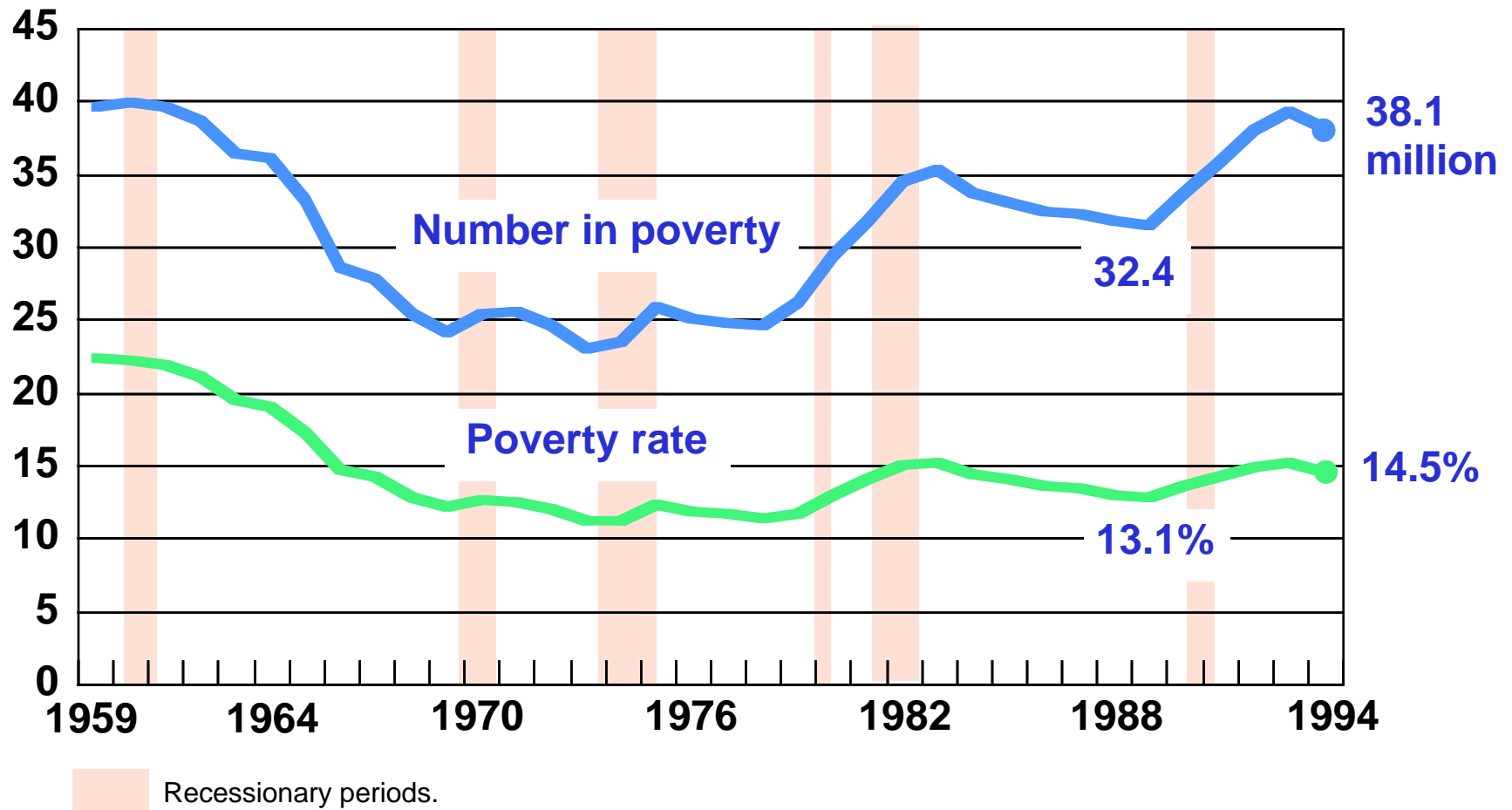
Index of Percent Change in Real Median Household Income: 1967-1994

Percent change

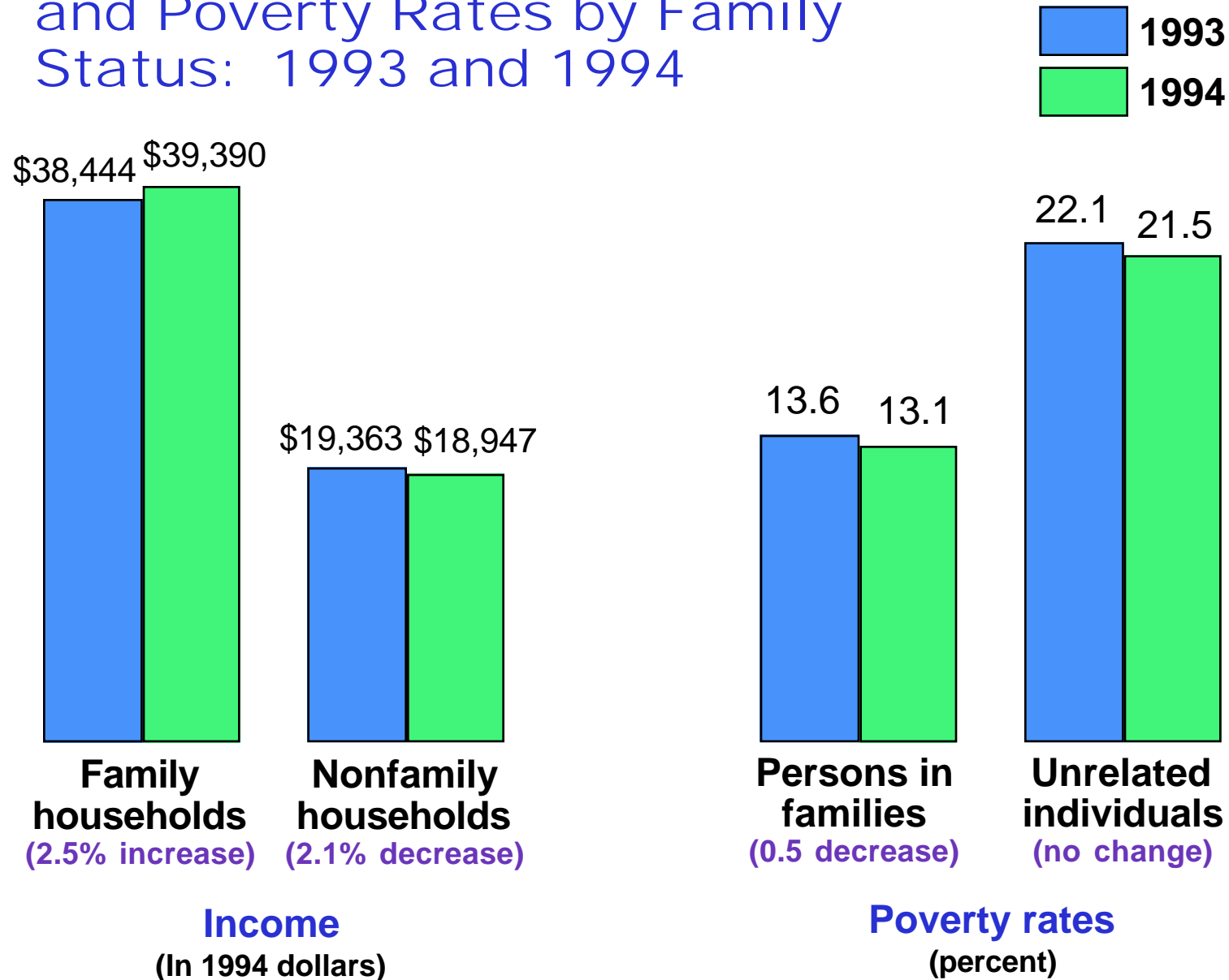


Poverty: 1959-1994

Millions/Percent

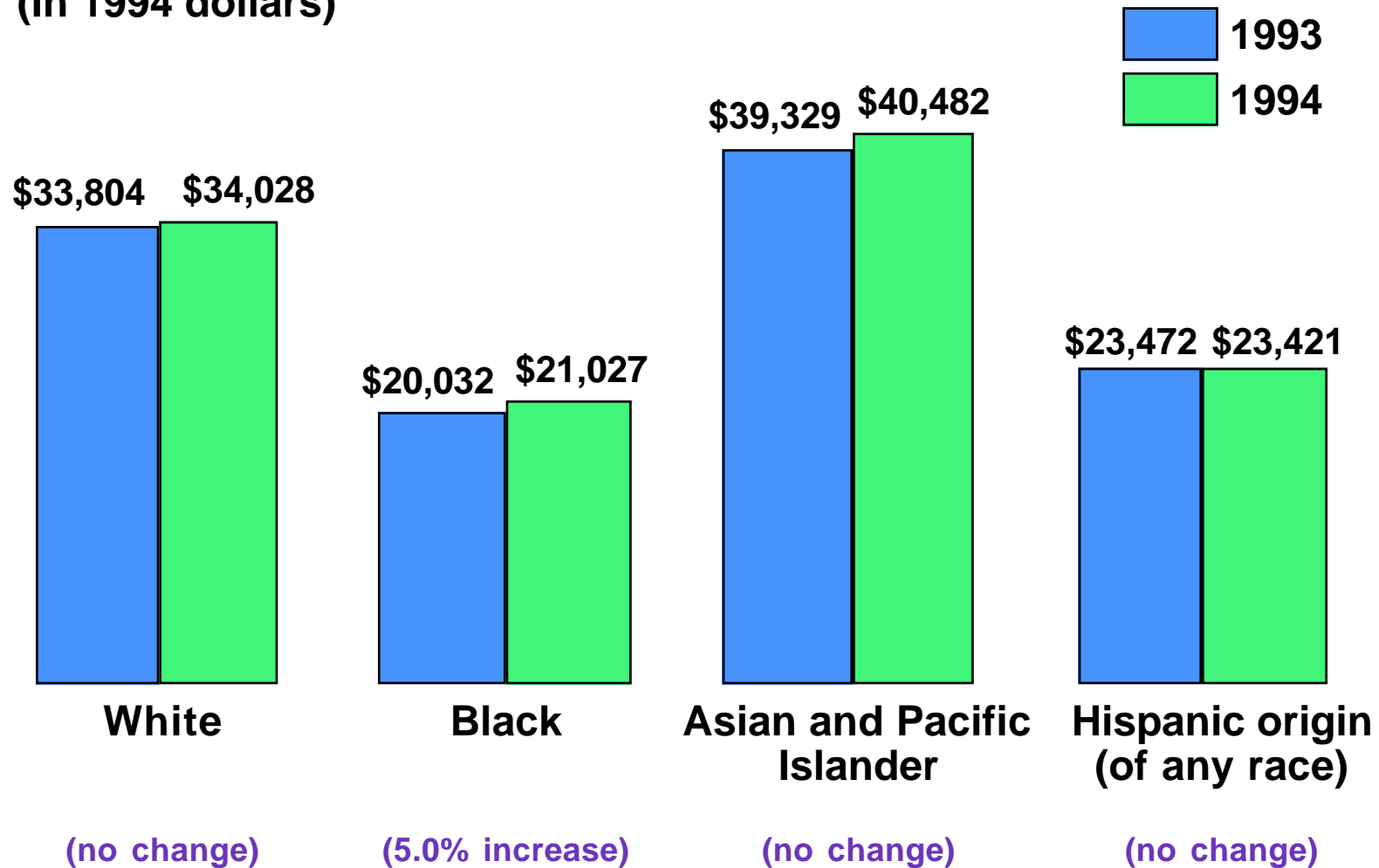


Median Household Income and Poverty Rates by Family Status: 1993 and 1994



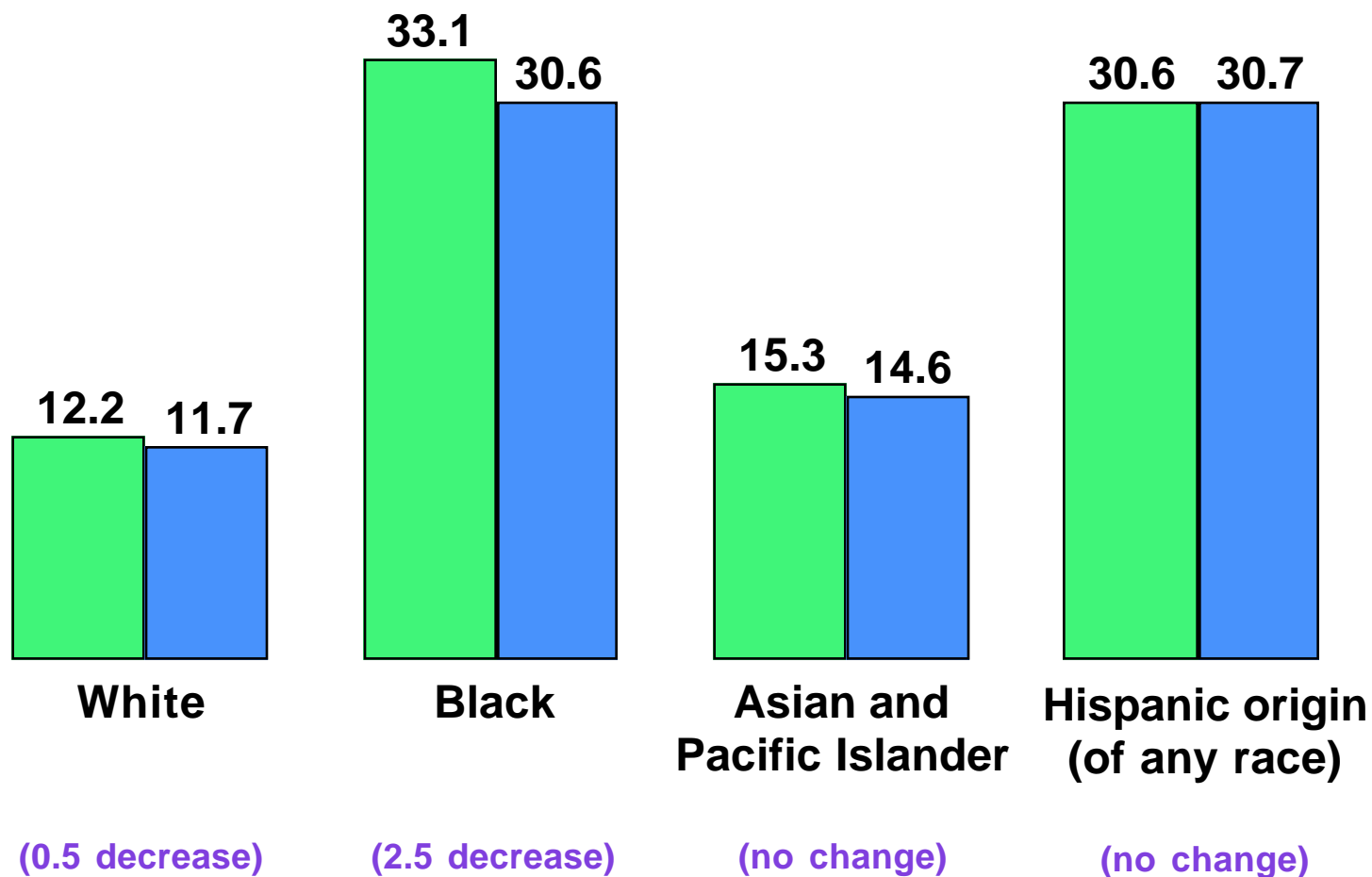
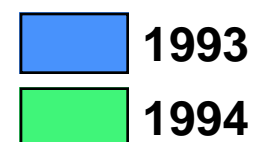
Median Household Income by Race and Hispanic Origin: 1993 and 1994

(In 1994 dollars)



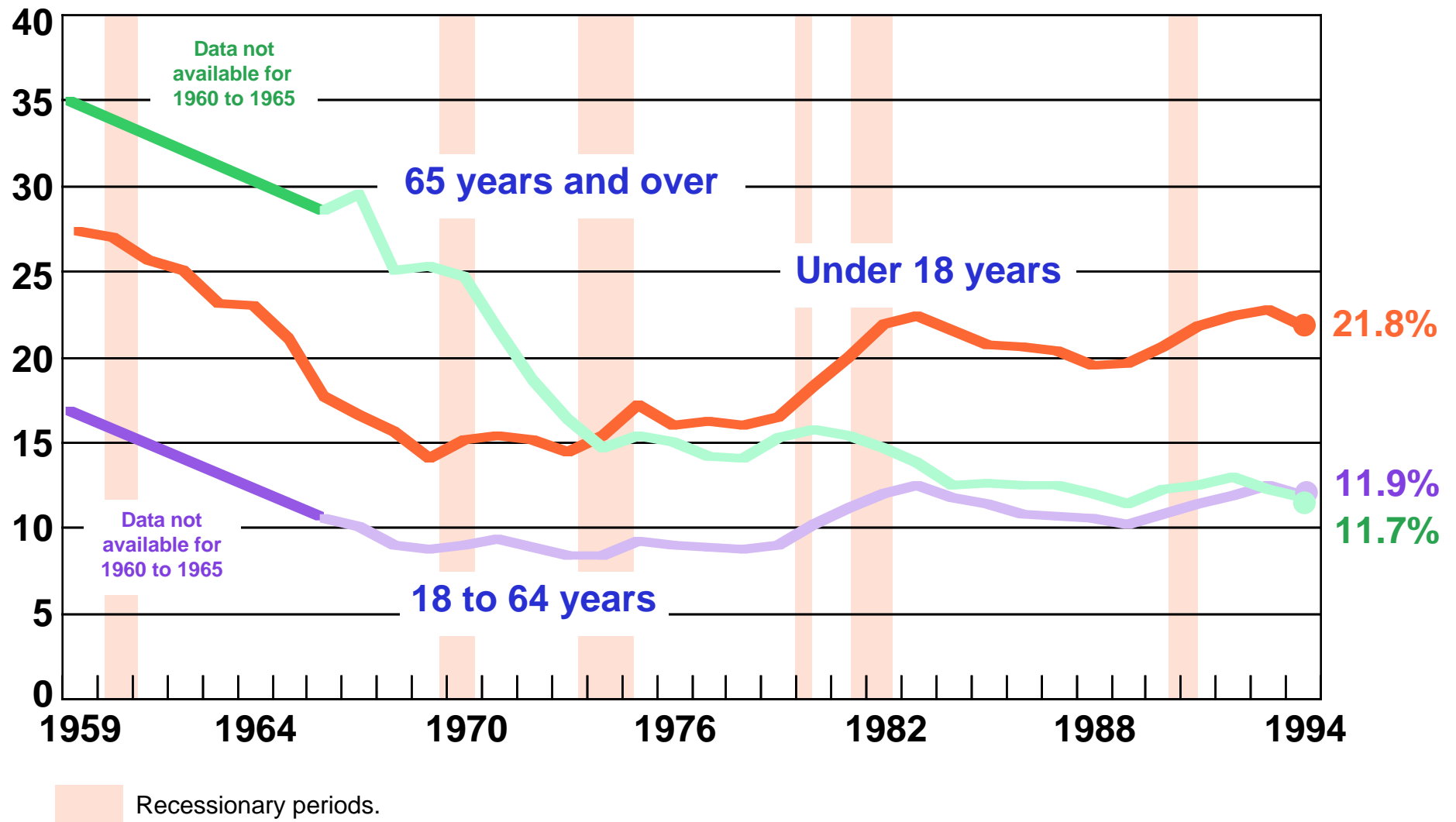
Poverty Rates of Persons by Race and Hispanic Origin: 1993 and 1994

Percent



Poverty Rates by Age: 1959-1994

Percent



Changes by State: 1992-1994

Two-Year moving averages

Median Household Income

- **Increase**

Colorado

Iowa

Mississippi

Tennessee

- **Decrease**

California

Kansas

New Hampshire

Poverty

- **Decrease**

Illinois

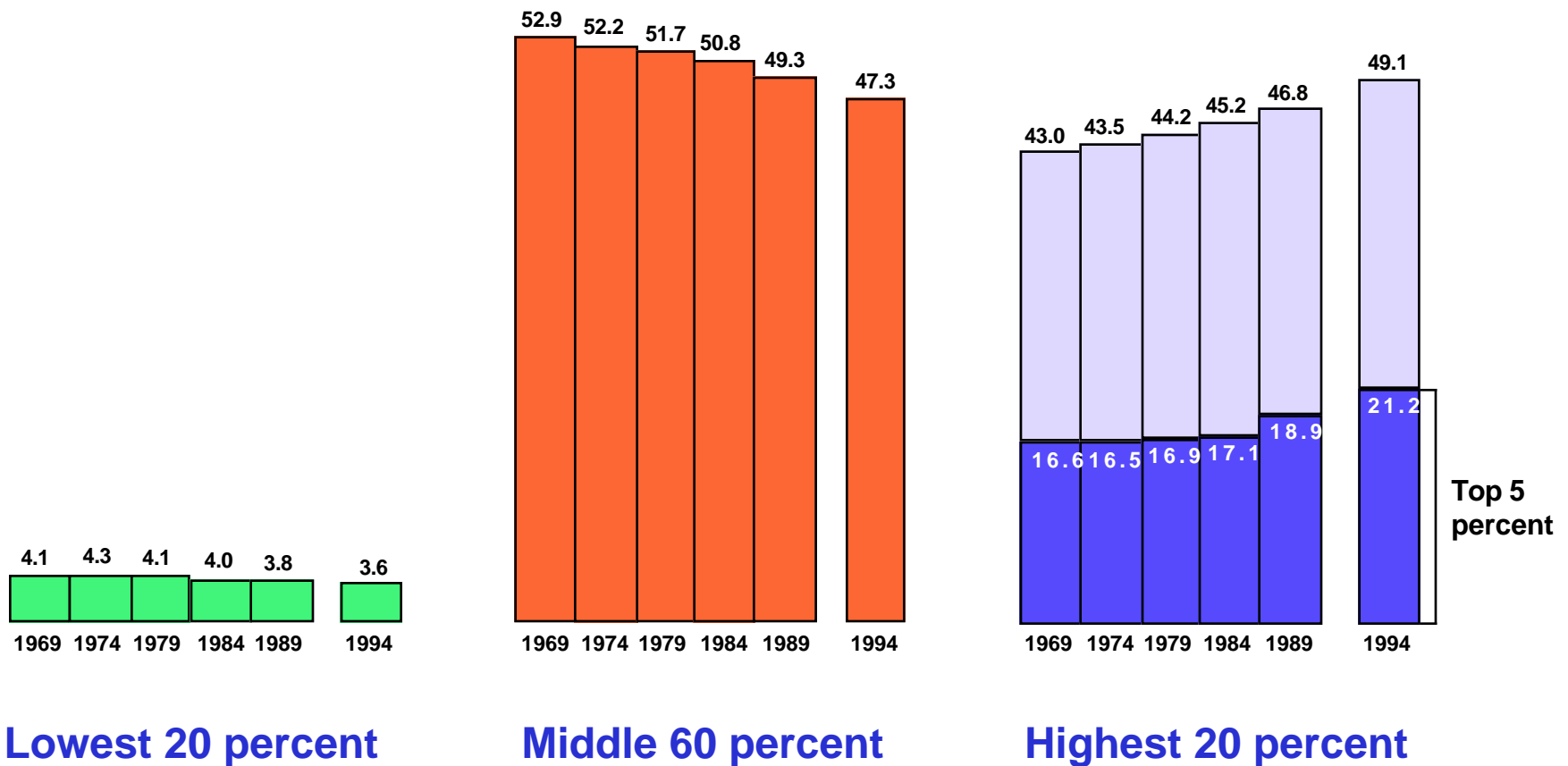
Maine

South Carolina

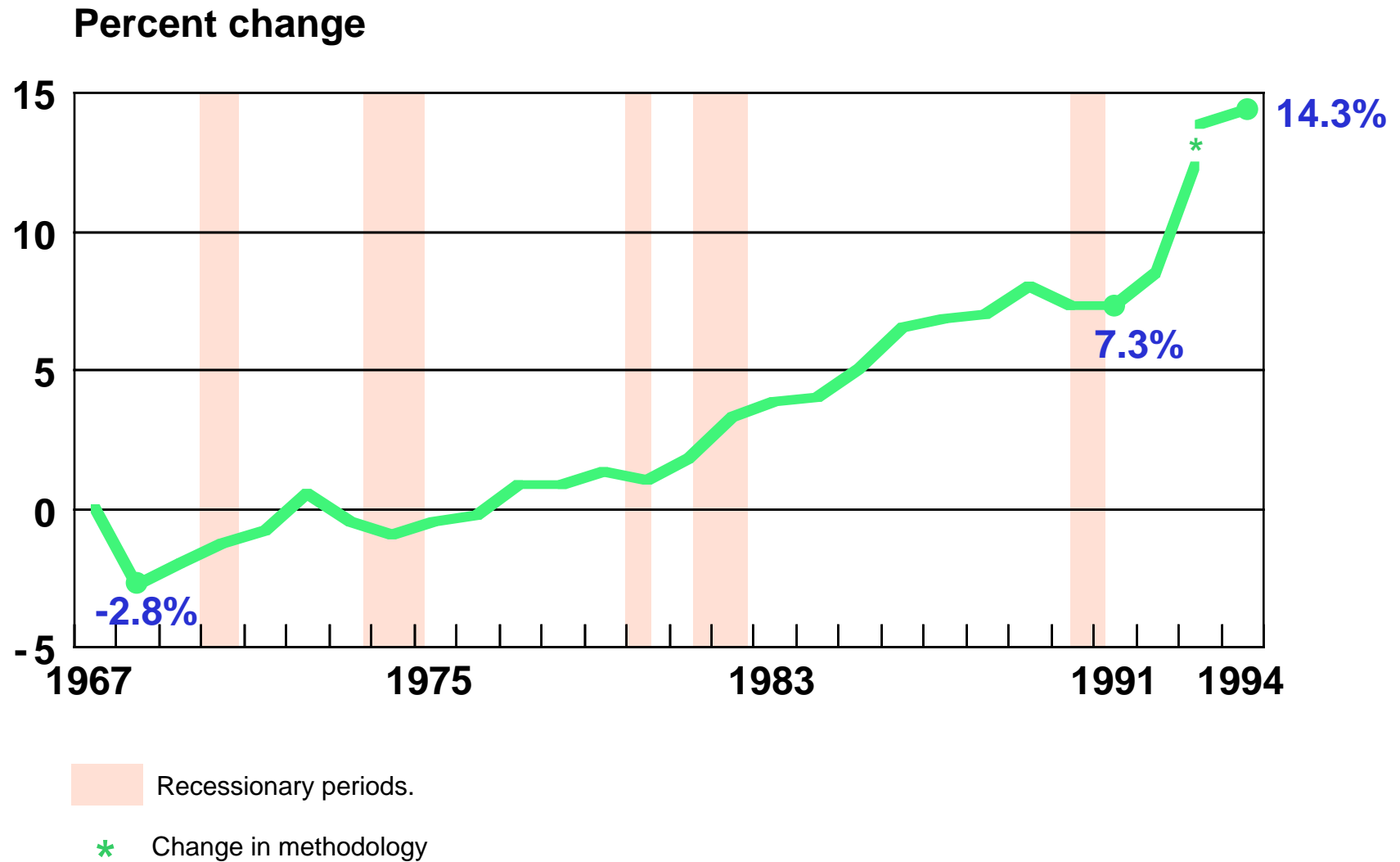
- **Increase**

None

Share of Aggregate Household Income by Quintile: 1969-1994

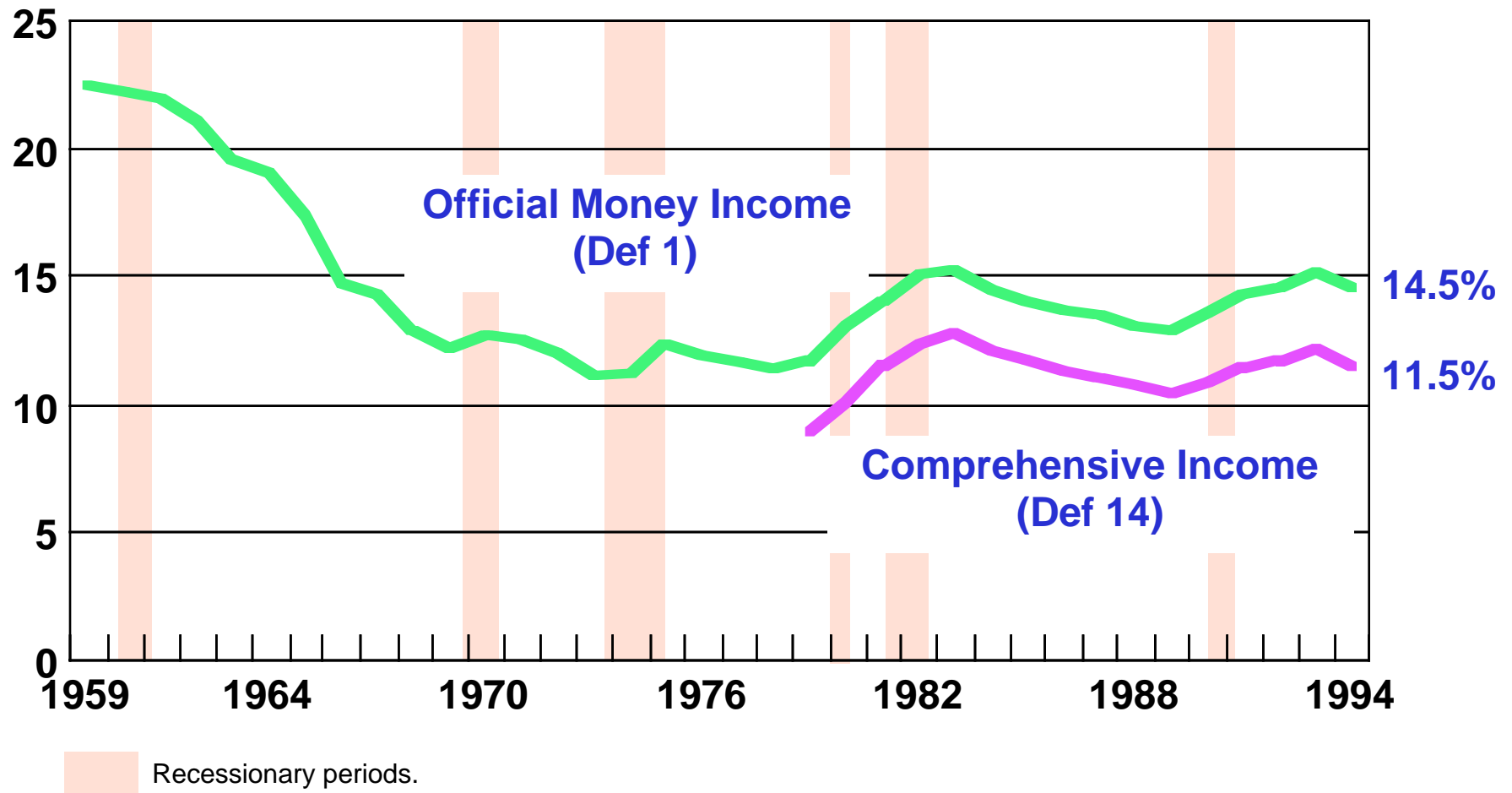


Index of Percent Change in Income Inequality (Gini): 1967-1994



Poverty Rates Using Experimental Definitions of Income: 1959-1994

Percent



Persons Without Health Insurance Coverage in 1994

